

Message Text

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ORIGIN NEA-12

INFO OCT-01 ISO-00 ABF-01 ST-01 EB-11 TRSE-00 OMB-01

CAB-09 CIAE-00 COME-00 DODE-00 INR-10 NSAE-00 RSC-01

FAA-00 L-03 /050 R

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APPROVED BY NEA:LBLAINGEN

EB/OA/AVP:WPCLAPPIN

M/FRM/FM:RWHITENER

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P 152321Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, IN, AV

SUBJECT: CIVAIR: PAN AM'S CURRENCY CONVERSION

REF: NEW DELHI 11803; STATE 200386

1. EDWARD D. PERKINS, WASHINGTON-BASED PAN AM DIRECTOR, COMMERCIAL-FINANCIAL AFFAIRS, MET WITH NEA/INS, EB/AVP AND M/FRM/FM OFFICERS OCTOBER 11 TO SEEK ADVICE ON HOW BEST PROCEED RESOLVE LONG-STANDING PROBLEMS OF OBTAINING PROMPT RUPEE CONVERSIONS. NO RPT NO CHANGE IN PERKINS' AND WOODFIELD'S PLAN TO CALL AT EMBASSY O/A NOVEMBER 1. (REFTELS).

2. ACCORDING PERKINS, PAN AM'S CONCERNS TRANSCEND SINGLE EFFOR TO COLLECT AND REMIT PRESENT OVERDUE CONVERSIONS. PAN AM SEEKS REVIEW AND STREAMLINING OF ENTIRE PAN AM/EMBASSY/GOI/RBI BUREAUCRATIC PROCEDURES
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FOR APPROVING SUCH REMITTANCES. PRIME TARGET IS DUMMY

'P' FORM REQUIREMENT WHICH USG AND US CARRIERS ACCEPTED SOME YEARS AGO, AND WHICH RESULTS IN HEAVY PAN AM AND EMBASSY WORKLOAD AND DELAYS IN CONVERSION. IN SUM, PAN AM SEEKS BUSINESSLIKE, RELIABLE SYSTEM FOR REMITTING ITS DOLLARS PROMPTLY FOLLOWING RECEIPT OF LOCAL CURRENCY PAYMENTS FOR TICKET SALES.

3. PERKINS MADE FOL POINTS:

A. ABOUT ONE THIRD OF ALL PAN AM TICKET SALES FOR RUPEES ARE ON USG ACCOUNT;

B. PRESENT SYSTEM WITH BUILT-IN DELAY AMOUNTS TO DISCRIMINATORY ADDED COSTS TO PAN AM. THESE COSTS INCLUDE NOT ONLY LOSS OF USE OF FUNDS AWAITING REMITTANCE IN NO-INTEREST ACCOUNTS IN INDIA WITH CONSEQUENT HIGHER INTEREST PAYMENTS ON PAN AM'S DEBT IN THE US, BUT ALSO OUT OF POCKET COSTS DUE TO FACT PAN AM MUST PAY OTHER CARRIERS IN DOLLARS MONTHLY ON ANY PORTION OF RUPEE-FINANCED TRAVEL NOT RPT NOT ON PAN AM FLIGHTS;

C. AIR INDIA IS UNDER NO RPT NO COMPARABLE RESTRICTIONS IN REMITTING FUNDS FROM US;

D. FAILING ACCEPTABLE IMPROVEMENT IN CONVERSION PROCEDURES, PARTIAL SOLUTION FOR PAN AM WOULD BE FOR USG TO PAY FOR TICKETS WITH DOLLARS, THUS IMMEDIATELY RESOLVING AT LEAST ONE-THIRD OF REMITTANCE PROBLEM.

4. FYI - IATA RESOLUTION PERMITS ALL CARRIERS DURING PERIOD OF EXCHANGE RATE INSTABILITY AS AT PRESENT TO INSIST ON PAYMENT IN LOCAL CURRENCY OF COUNTRY WHERE TRAVEL ORIGINATES. IF THIS RESOLUTION, WHICH HAS BEEN APPROVED BY THE CIVIL AERONAUTICS BOARD WERE APPLIED BY PAN AM AND TWA, BALANCE OF PAYMENTS BUDGETARY AND PROGRAMS BENEFITS TO USG OF PRESENT RUPEE-FINANCED TRANSPORTATION RIGHTS GRANTED BY INDIA WOULD BE GREATLY REDUCED. IN SUM, USG HAS FUNDAMENTAL INTEREST IN MAKING LIMITED OFFICIAL USE

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PRESENT SYSTEM FOR APPROVING REMITTANCES WORK WELL.
END FYI.

5. WE ASSURED PERKINS EMBASSY WELCOMES HIS VISIT AND WOULD WISH REVIEW WHOLE MATTER WITH HIM AND ADVISE ON BEST WAY PROCEED. WE ALSO NOTED THAT PERKINS' VISIT TIMELY IN LIGHT OUR ECONOMIC DIALOGUE NOW RPT NOW BEGINNING WITH INDIA.

6. WE URGE EMBASSY, IN PREPARATION FOR PERKINS' VISIT, REVIEW PRESENT PROCEDURES TO DETERMINE WHAT, IF ANYTHING, MIGHT BE DONE TO REDUCE REMITTANCE DELAYS. IS THERE SCOPE FOR FASTER PROCESSING BY EMBASSY, OR FOR URGING GOI AMEND AND/OR ELIMINATE ANY OF ITS PRESENT REQUIREMENTS?

7. WE NEED HARDLY REMIND YOU THAT USE OF OUR RUPEES TO FINANCE ALL AIR TRAVEL TO, FROM AND THROUGH INDIA IS

VALUABLE DOLLAR-SAVER AND MERITS REAL EFFORT TO PROTECT ITS CONTINUED ACCEPTANCE BY MAJOR US CARRIER. THIS USE AVOIDS THE EXPENDITURE OF DOLLARS OUT OF THE US TREASURY FOR ALL TRAVEL CHARGEABLE TO REGULAR AGENCY DOLLAR APPROPRIATIONS; IT FUNDS ESSENTIAL TRAVEL FOR SPECIAL FOREIGN CURRENCY PROGRAMS FOR WHICH DOLLARS ARE NOT AVAILABLE MAKING THESE PROGRAMS POSSIBLE; AND IN BOTH INSTANCES RESULTS IN CONVERSIONS TO DOLLARS WHICH ARE REMITTED TO THE US AS AIRLINE PROFIT BY AMERICAN CARRIERS, PROVIDING POSITIVE ASSISTANCE TO THE US BALANCE OF PAYMENTS BY RETURNING TO THE US DOLLARS ALREADY ABROAD.

8. PAN AM'S CONCERN ABOUT THEIR CONVERSION AND REMITTANCE PROBLEM CAN BE BEST UNDERSTOOD WHEN VIEWED AGAINST THE BACKGROUND OF RESTRICTIVE GOI PRACTICES WHICH PLACE PAN AM AND OTHER CARRIERS FOREIGN TO INDIA AT A COMPETITIVE DISADVANTAGE, AS SET FORTH IN THE CAB STUDY FORWARDED TO EMBASSY BY A-7746 DATED 9/11/73.

9. WE WOULD APPRECIATE EMBASSY'S COMMENTS ON ABOVE IDEAS, ON SCOPE FOR IMPROVING SITUATION, AND ADVICE ON HOW BEST PROCEED. KISSINGER

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